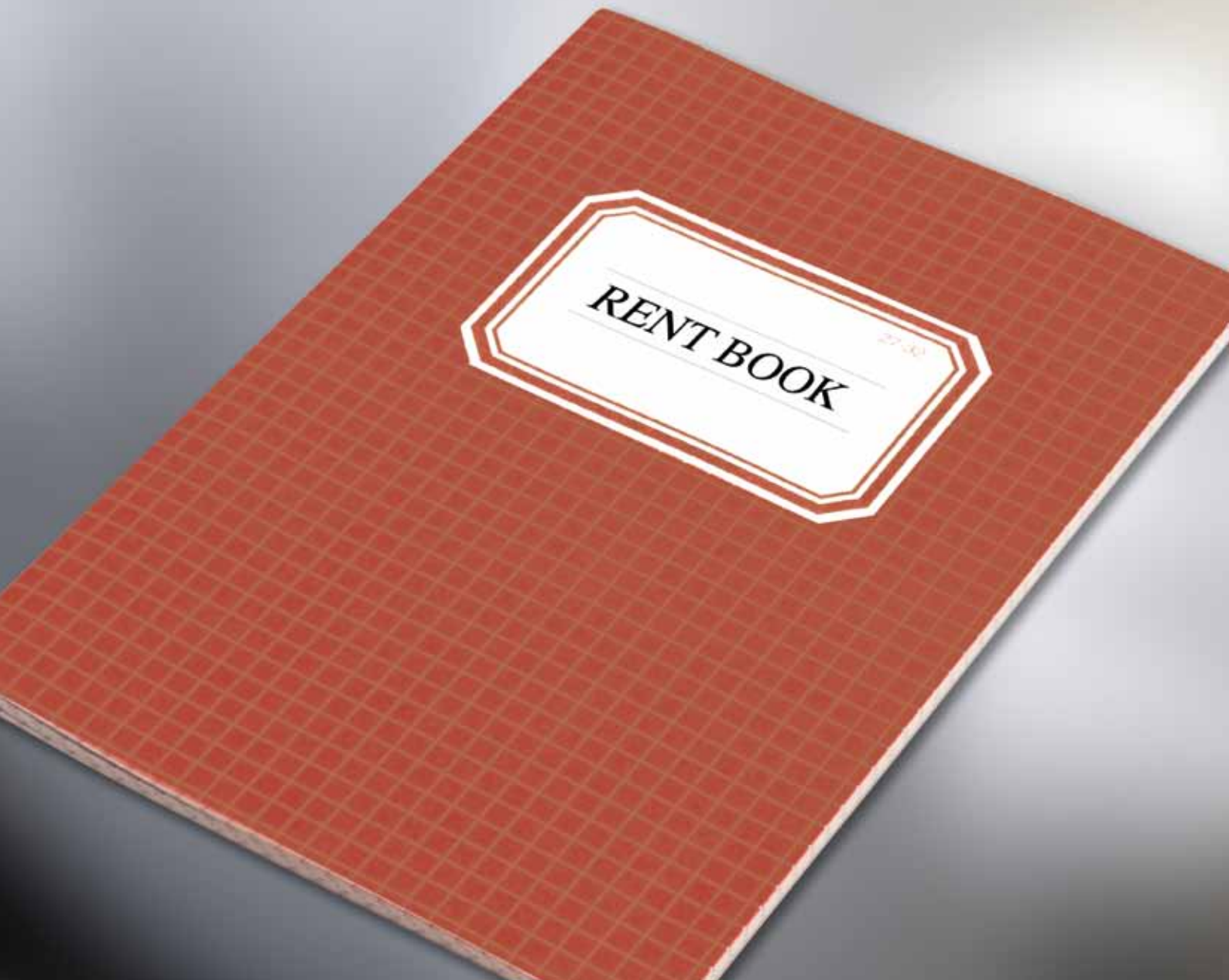




Northern Ireland Audit Office

The Management of Social Housing Rent Collection and Arrears



REPORT BY THE COMPTROLLER AND AUDITOR GENERAL
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Northern Ireland Audit Office

Report by the Comptroller and Auditor General for Northern Ireland

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The Management of Social Housing Rent Collection and Arrears

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J M Dowdall CB
Comptroller and Auditor General

Northern Ireland Audit Office
6 May 2009

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Contents

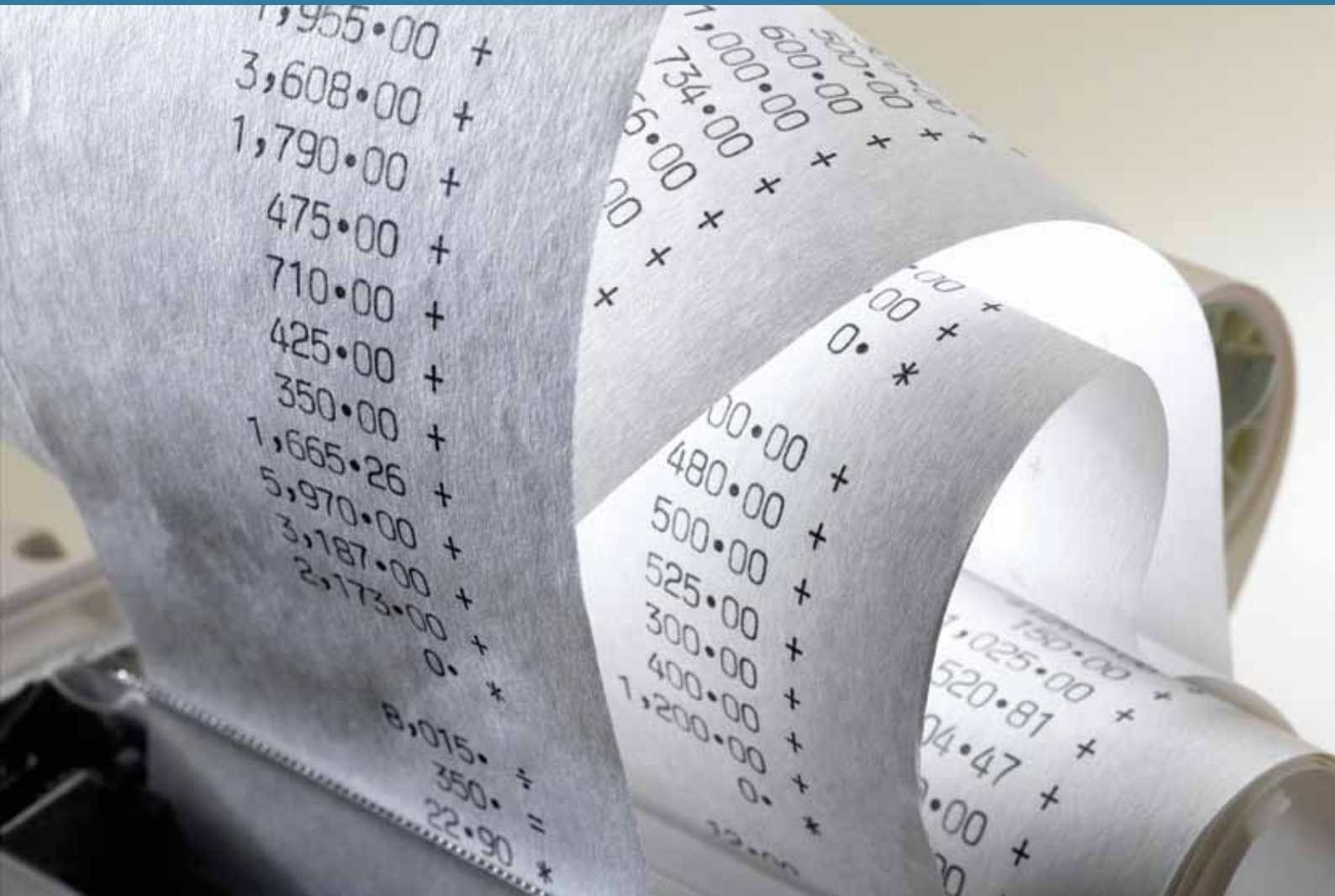
Executive Summary		2
Part One	Collecting rent and recovering arrears is challenging for social housing landlords and measuring performance in this area can be complex	6
	Effective income management is a key element of social housing provision	6
	Good practice highlights the need to prevent arrears arising and to take early and decisive recovery action where such arrears do arise	6
	Measuring performance in this area is difficult and it needs to be assessed across a range of indicators	8
	Our study examines the performance of the NI social housing sector in managing its rent income and the extent to which good practice principles of income management are being applied	9
Part Two	NIHE's overall rent collection performance is variable	12
	NIHE sets an annual corporate target to reduce the level of gross arrears and on this basis has performed well over recent years	12
	However, the overall corporate target is limited in nature, and does not take account of high write-off levels	12
	Performance is less positive across a number of other underlying indicators	14
	NIHE has benchmarked with a range of other UK social housing providers and some of the results indicate that its performance is good	15
	When compared with all English local authorities, NIHE performs less well for a number of key performance indicators	16
	NIHE's current benchmarking would benefit from a detailed validation of the data used	18
	In our view, a more extensive set of performance targets and a review of current benchmarking arrangements would help NIHE to improve its performance in a number of key areas	19

Part Three	NIHE is in the process of implementing an improvement plan for rent collection and arrears management	22
	NIHE's current operational guidance broadly mirrors good practice	22
	Despite the guidance, the results of NIHE's internal inspections showed that some District Offices were not applying timely and appropriate income management and arrears recovery action	22
	An external review commissioned by NIHE also highlighted scope for enhancing rent collection and arrears management	24
	NIHE is implementing an improvement plan to address the issues raised	24
	In order to maximise its success, NIHE should underpin its improvement plan by providing formal guidance to staff, setting relevant targets and measuring performance on a regular basis	25
Part Four	Housing Associations' rent arrears performance is variable	28
	Annual Housing Associations' arrears statistics collated by the Department for Social Development (DSD) suggest deteriorating performance, but they do not provide a full picture	28
	Where a Housing Association's arrears performance gives cause for concern, the Department takes limited action	30
	Housing Associations operate differing procedures for arrears prevention and management, and there may be scope for more promotion of good practice	31
	Recovering former tenant arrears is particularly problematic for Associations	33
	There is scope for DSD to assist Associations to improve their performance by providing more guidance and targets	33
Appendix One	Results of NIHE's benchmarking of arrears performance against English local authorities 2003-04 to 2005-06	36
Appendix Two	Arrears prevention and rent collection – Consultants findings and action proposed by NIHE's improvement plan	38

Abbreviations

ARR	Annual Regulatory Returns
CIPFA	Chartered Institute of Public Finance and Accountancy
DSD	Department for Social Development
HA	Housing Association
NIA	Northern Ireland Assembly
NIAO	Northern Ireland Audit Office
NIFHA	Northern Ireland Federation of Housing Associations
NIHE	Northern Ireland Housing Executive
NSP	Notice of Seeking Possession
RIEN	Rental Income Excellence Network
SMART	Specific, Measured, Achievable, Realistic and Timed

Executive Summary



Executive Summary

Background

1. The Northern Ireland social housing sector comprises approximately 115,000 dwellings. Of these, 93,000 are owned by the Northern Ireland Housing Executive and the remaining 22,000 by the 36 Housing Associations (HA). In 2006-07, the total rent collectable in respect of these properties was £344 million (£258 million by NIHE¹ and £86 million by Associations).
2. Social housing tenants generally have a high degree of financial vulnerability: for example, a large proportion of NIHE's rental income (some 70 per cent) is derived from Housing Benefit. Collecting rent from tenants with full Housing Benefit entitlement is relatively straightforward, as NIHE is responsible for administering this Benefit on behalf of the Department for Social Development (DSD) and for making the relevant payments to Housing Associations. However, collecting rent due directly from tenants is more challenging, especially from those who are repeatedly in and out of employment and on and off Housing Benefit in the course of their tenancy. In such circumstances, the amount of cash-related rental income which landlords have to collect changes frequently and this requires careful management and control.

Collecting rent and recovering arrears is challenging for social housing landlords and measuring performance in this area can be complex

3. Good practice on rent collection and arrears management in recent years has highlighted the importance of developing measures which prevent arrears from arising in the first instance. NIHE told us that, in its view, elements of the guidance overstate the ability of any housing authority to prevent arrears from arising, and that it considers its role is to "seek to ensure that arrears do not escalate". However, arrears prevention activity offering support - maximising tenant income and engendering a payment culture - has been at the forefront of recent best practice. We consider that there is a particular role for preventative measures, given the current difficult economic climate.
4. A wide range of arrears performance indicators has been used in recent years by social landlords across the UK. Whilst the latest Government guidance has been to reduce the number of indicators used for formal reporting, the guidance has also advocated maintaining a series of lower level indicators to enable performance to be monitored and assessed in order to assist housing authorities to manage their rental income activities.

¹ NIHE income also includes rates.

NIHE's overall rent collection performance is variable

5. Since 2001-02, NIHE's only corporate target has been that year-end gross arrears should not exceed the previous year-end balance. Assessed against this corporate target, NIHE has performed well over recent years. Gross arrears and its component elements (current and former tenant arrears) all reduced between 2002-03 and 2006-07. However, the reduction in NIHE's gross arrears over this period has been achieved largely through writing-off high levels of tenant debt - while the year-end balance for gross tenant arrears fell by £3.3m from 2001-02 to 2006-07, total write-offs over this period amounted to £10.6m.
6. Although performance against the corporate target has been positive, we noted a number of underlying issues in relation to NIHE's rent income performance, including a reduction in the percentage of total rent collected and high levels of individual arrears. In our view, these underlying indicators are of some concern, and may become more problematic in the difficult economic climate ahead.
7. NIHE is a member of Housemark, a subscription-based benchmarking service, and performs well relative to its other members with regard to the percentage of rent collected. However, when compared with all English local authorities, NIHE's performance for percentage of rent collected between 2001-02 and 2006-07 was below the top quartile², falling to

below the average for the bottom quartile in 2006-07.

8. We consider that there is scope for NIHE to enhance its target-setting regime and further develop its approach to benchmarking as a means of driving forward performance improvements.

NIHE is in the process of implementing an improvement plan for rent collection and arrears management

9. Clearly, compliance with good practice in housing management is crucial to optimising both standards of service to tenants and income from rent. In recognition of this, NIHE has in place an inspection regime. Our examination of reports from NIHE's Inspection Unit showed evidence of non-compliance with the arrears manual in 15 of the 19 reports that we reviewed.
10. In instances where debt recovery action is instigated, it can take a very long time to recoup arrears. When tenants in arrears have little or no entitlement to Housing Benefit but are in receipt of certain other benefits, deductions can be made from them in order to clear rent arrears, through the Rent Direct process. However, the maximum arrears deduction is £3 weekly and arrears recovery is slow – at January 2007, £4.6 million (40 per cent of then current tenant debt) was being recovered in this way and was expected to take five years to clear.

² Quartile is a statistical term. Each quartile contains 25 per cent of the total population. The top quartile has the highest 25 per cent of the numbers in the list; the bottom quartile has the lowest 25 per cent of the numbers in the list

Executive Summary

11. In 2006 NIHE commissioned an external consultancy review, which examined the totality of its rent income management. This review, an example of good practice by NIHE, reported findings similar to those of the Inspection Unit, and also reported that improvements could be made to rent collection and arrears recovery procedures and practices.
 12. In 2007, NIHE produced an improvement plan to address weaknesses raised by the consultant's report. The enhanced prevention and recovery steps envisaged within the plan are likely to place greater onus on staff in respect of managing and overseeing the process. Compliance with the new procedures will therefore be key to their success, particularly in view of the evidence of problems in this respect with existing procedures in recent years.
- Housing Associations' rent arrears performance is variable**
13. Annual performance statistics supplied to DSD by Housing Associations for the period 2001-02 to 2005-06 indicate significant increases in gross arrears for the sector overall. These show increases of 154 per cent during this period, with current arrears increasing by 191 per cent and total arrears increasing by 58 per cent in 2004-05 alone.
 14. The current statistics are drawn from Annual Regulatory Returns (ARRs), which Associations are required to submit to DSD, as part of its regulatory role. However, in addition to the questions over the way in which the data is gathered, our examination found potential concerns with the completeness and accuracy of ARR arrears data in recent years.
 15. These concerns undermine the usefulness and relevance of the data currently gathered. Furthermore, they had not been identified by DSD's checking procedures, indicating a need to tighten existing checks, so that anomalies can be highlighted and investigated promptly, and accurate statistics produced.
 16. The variations in the size and nature of Associations and the differing client groups means that some differences in arrears performance, and in approaches to arrears prevention and management are to be expected. Nevertheless, we consider that there is scope for DSD to become more involved, possibly in conjunction with NI Federation of Housing Associations, in providing more advice and guidance to Associations, and that central target-setting and monitoring could act as an important driver to deliver improvements.
-

Part One:

Collecting rent and recovering arrears is challenging for social housing landlords and measuring performance in this area can be complex



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Collecting rent and recovering arrears is challenging for social housing landlords and measuring performance in this area can be complex

Effective income management is a key element of social housing provision

1.1 Managing rental income is important, both for landlords and tenants. For social landlords, failure to maximise the amount of rent collected and to recover arrears promptly creates a number of potential problems. It creates difficulties in maintaining and improving the housing stock; can cause a degradation in the asset value of the stock; can reduce the quality of housing services provided; and generates additional administrative and legal costs associated with arrears recovery activities. Furthermore, once arrears become embedded, it risks creating a culture of non-payment and causing significant financial losses if arrears have to be written off.

1.2 There are also wider social costs associated with rent collection and arrears management, particularly for tenants themselves. If rent is not paid on a timely basis and arrears accrue, the debt may lead to a range of social consequences. These include: health problems due to an increased incidence of stress, depression and anxiety; the potential for household break-ups; and the longer term possibility of eviction and homelessness if arrears are not paid.

Good practice highlights the need to prevent arrears arising and to take early and decisive recovery action where such arrears do arise

1.3 Good practice on rent collection and arrears management in recent years has

highlighted the importance of developing measures which prevent arrears from arising in the first instance. There is also a recognition that social landlords should support and provide assistance to tenants to ensure they maximise their income opportunities. Where, in spite of this, arrears do arise, landlords need to have organisational structures and procedures for recovering them as quickly as possible. Although, inevitably, eviction and legal proceedings may on occasion be necessary, they should be a last resort.

1.4 To prevent arrears from arising in the first instance, social landlords should put in place measures which:

- focus on new tenants – for example, by holding introductory interviews at tenancy sign-up to instil the importance of timely rent payment; assessing their financial status; offering guidance on managing their finances; and offering assistance with Housing Benefit calculations as necessary;
- provide ongoing advice and support, to help tenants maximise their incomes - this is important as arrears can arise at any stage of a tenancy, due to changes in financial and employment circumstances;
- provide a range of flexible and convenient payment options – including direct debits, standing orders and internet payment, in addition to direct cash payments; and

- use publicity material - such as tenants' newsletters, community notice boards and rent statements - to explain the damaging impact of rent arrears in relation to the quality of housing service, and the potential sanctions for non-payment. Promoting the benefits of full and timely rent payment can help foster a positive payment culture.

1.5 Where arrears do occur, social landlords need to address these at an early stage to effect recovery, prevent debt from escalating and help households to maintain their tenancies. Measures may include:

- undertaking early personal, direct contact with tenants to obtain an understanding of the nature of the arrears, and what remedial actions are available. This can involve home visits, interviews in the office, telephone contact, texting or emailing;
- ensuring that staff are highly trained and that there is comprehensive communication between rent collection and housing benefit staff so that all necessary case information is made available on a timely basis to inform decision-making and advice; and
- fostering and sustaining repayment negotiations and offering a range of repayment options such as payment by lump sum, instalments, deductions from benefits and earnings or some combination of these.

1.6 Prevention measures are an important element in helping ensure that debts do

not escalate to the stage where eviction and legal proceedings may be necessary. Indeed, given the social consequences, and the cost involved, eviction should be a last resort. NIHE has consistently evicted fewer tenants for non-payment of rent than the English local authorities - between 2004-05 and 2007-08, NIHE evicted an average of 34 tenants annually - but this has risen sharply in 2008-09, with 45 tenants evicted up to December 2008.

1.7 Where rent arrears cannot be recovered and termination of the tenancy is necessary, good practice guidance suggests that social housing landlords should use eviction powers only as a last resort and exhaust all reasonable courses of action before going to Court. Specific types of measures might include:

- offering to meet tenants in the presence of any advisors they may have;
- continuing to provide access to advice and counselling services for the tenant, including legal advice if necessary; and
- ensuring that non-payment does not relate to unresolved Housing Benefit claims and establishing beyond doubt that the outstanding debt is entirely due to some failure to comply by the tenant.

1.8 NIHE told us that, in its view, elements of the guidance overstate the ability of any housing authority to prevent arrears from arising, and that it considers its role is to "seek to ensure that arrears do not escalate". However, arrears prevention

Part One:

Collecting rent and recovering arrears is challenging for social housing landlords and measuring performance in this area can be complex

activity offering support - maximising tenant income and engendering a payment culture - has been at the forefront of recent best practice. We consider that there is a particular role for preventative measures, given the current difficult economic climate. We therefore asked NIHE if it had put in place any specific or enhanced measures to mitigate the effects of the 'credit crunch' on its rental income performance. NIHE told us that it had taken steps to ensure that tenants were aware of the advice and assistance available to them.

Measuring performance in this area is difficult and it needs to be assessed across a range of indicators

- 1.9 It is important that appropriate management information systems are in place to capture key data and to enable rent collection and arrears performance to be monitored on a regular basis. However measurement of performance in this area is complicated because of the multi-faceted nature of the problem. Indeed, as **Figure 1** (below) illustrates, measuring specific aspects of the issue in isolation can provide an incomplete or misleading indication of performance.
- 1.10 Because of this, it is necessary to assess performance across a basket of indicators to measure, in a rounded manner, the success of landlords' performance on all aspects of good practice, ensuring that arrears do not reach the stage where write-off, termination of the tenancy or eviction becomes necessary, because there is little realistic prospect of recovery.
- 1.11 A wide range of arrears performance indicators has been used in recent years by social landlords across the United Kingdom. Whilst the latest Government guidance has been to reduce the number of indicators used for formal reporting, the guidance has also advocated maintaining a series of lower level indicators to enable performance to be monitored and assessed in order to assist housing authorities to manage their rental income activities. In broad terms the key information areas which need to be measured include data on rent collection; the composition and nature of tenant arrears; write-offs; and eviction activity undertaken (see **Figure 1**).

Figure 1: Key Performance Measures

- (i) **Rent collected³** – the percentage collection rate is the baseline measure of income management performance. The higher the rate of rent collection, the less propensity there is for rent arrears to accrue, while a reduced collection rate is likely to lead to increased arrears problems.
- (ii) **Gross tenant arrears** – this provides an important overall indicator of the total value of arrears. Annual comparison can be an indicator of whether the situation is improving or deteriorating. However, this indicator needs to be considered particularly in the context of write-offs (see (v) below).
- (iii) **Current tenant arrears** – arrears owed by current tenants are considered easier to recover than those of former tenants, and less likely to be written off. Consequently, to measure performance in this area meaningfully, trends must be considered in the context of former tenant arrears and write offs (see (iv) and (v) below).
- (iv) **Former tenant arrears** – As these are more difficult to recover than current tenant arrears, and more likely to be written-off, it is important that the level of former tenant arrears, changes over time, and their percentage in relation to the total level of arrears are measured.
- (v) **Write-offs⁴** – it is important that the levels of write-offs, and their proportion in relation to total arrears are monitored, since overall arrears levels can be reduced simply by writing off debt.
- (vi) **Housing Benefit processing** – delays in processing Housing Benefit (which is paid direct to social housing landlords) can have a significant impact on arrears. Because such a high proportion of NI social housing tenants receive Housing Benefit, it is important to assess the speed of processing new claims, time taken to process changes of circumstance and the accuracy of this claims processing.
- (vii) **Evictions/notices served** – levels of Notices of Seeking Possession⁵, and of the numbers of evictions due to rent arrears, provide an indication of the extent to which eviction is used as a last resort.

Source: NIAO

Our study examines the performance of the NI social housing sector in managing its rent income and the extent to which good practice principles of income management are being applied

1.12 This report examines the performance of the social housing sector in NI in terms of arrears prevention, maximising rental income collected and recovering arrears⁶

where they do arise. It also reviews the extent to which good practice is being applied and whether there is scope to introduce better procedures.

1.13 In undertaking this report, we:

- undertook a literature review of good practice in social housing income/ arrears management;

3 The figure for rent collected includes current debt recovered.

4 These can be re-instated if NIHE considers that they have become recoverable, e.g. a past tenant with written-off arrears seeks to be re-housed by NIHE.

5 A Notice of Seeking Possession (NSP) is a legal document and is the first stage in the eviction process.

6 All NIHE arrears figures used in this report are inclusive of rates arrears.

Part One:

Collecting rent and recovering arrears is challenging for social housing landlords and measuring performance in this area can be complex

- reviewed recent performance data of NIHE⁷ and the Housing Associations; currently being implemented by NIHE to improve performance; and
- undertook file reviews of tenants who had accrued arrears and reviewed NIHE and Housing Association operational procedures for rent management; and
- commissioned the Rental Income Excellence Network (RIEN)⁸ to benchmark NIHE's performance with other GB comparator organisations and to review its performance measurement regime.
- Part 4 – assesses the performance of Housing Associations, the extent of oversight and guidance provided by the Department for Social Development, and the scope for them to implement improvements.

1.14 Because it is NI's largest social housing landlord, our report focuses primarily on NIHE. However Housing Associations are now the sole providers of new build social housing and their influence will continue to grow in the coming years. Consequently, many of our findings in relation to NIHE also have relevance in the HA sector. The structure of our report is as follows:

- Part 2 – reviews the performance of NIHE over recent years, including comparison with landlords in other parts of the UK;
- Part 3 – looks at the measures employed by NIHE in recent years to assist rent collection and arrears prevention and recovery. We also assess the potential of new strategies

⁷ Before 2004-05, NIHE classified Housing Benefit overpayments as rent arrears but, since 2004-05, newly identified cases have been accounted for separately from rent accounts. As NIHE cannot identify the numbers or value of historical Housing Benefit overpayments still embedded in its rent arrears statistics, this hampers efforts to fully analyse performance trends over time. This issue also affects some social landlords in Great Britain, and makes precise benchmarking of NIHE's performance more difficult.

⁸ RIEN are specialist consultants in the rental income field who have worked closely with stakeholders in recent years to promote best practice.

Part Two:
NIHE's overall rent collection performance is variable



Part Two: NIHE's overall rent collection performance is variable

NIHE sets an annual corporate target to reduce the level of gross arrears and on this basis has performed well over recent years

2.1 Since 2001-02, NIHE's only corporate target has been that year-end gross arrears should not exceed the previous year-end balance. Assessed against this corporate target, NIHE has performed well over recent years (see **Figure 2**). Gross arrears and its component elements (current and former tenant arrears) have all reduced between 2002-03 and 2006-07:

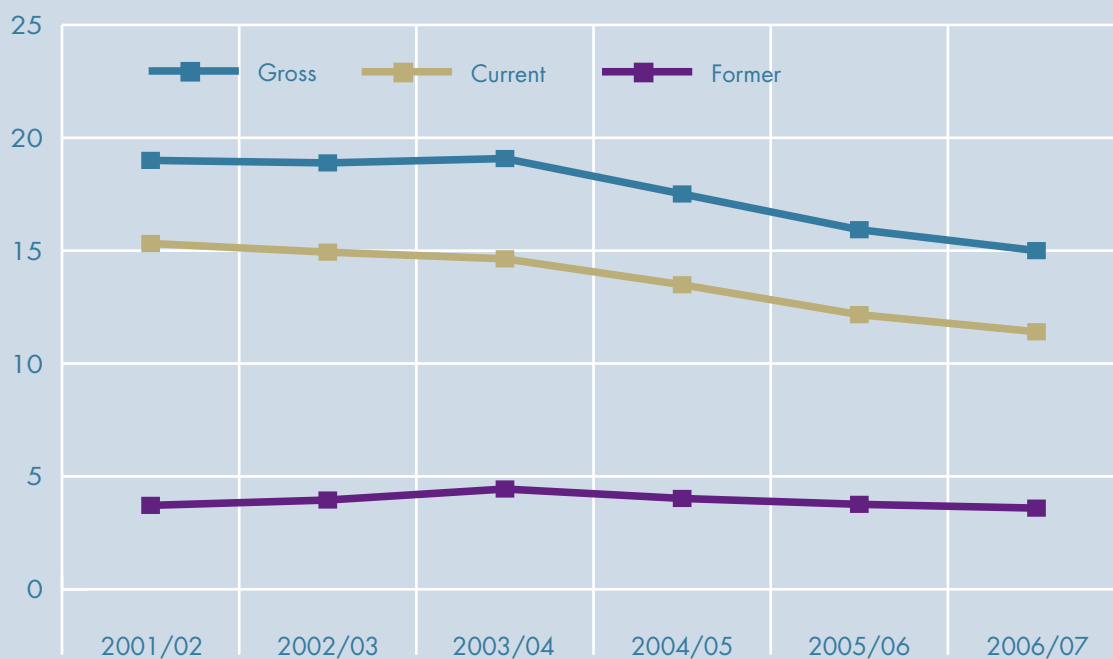
- gross tenant arrears have fallen by £3.9m, a reduction of 20.6 percent;

- current tenant arrears have fallen by £3.5m, a reduction of 23.6 percent; and
- former tenant arrears have fallen by £0.36m, a reduction of 9.1 percent.

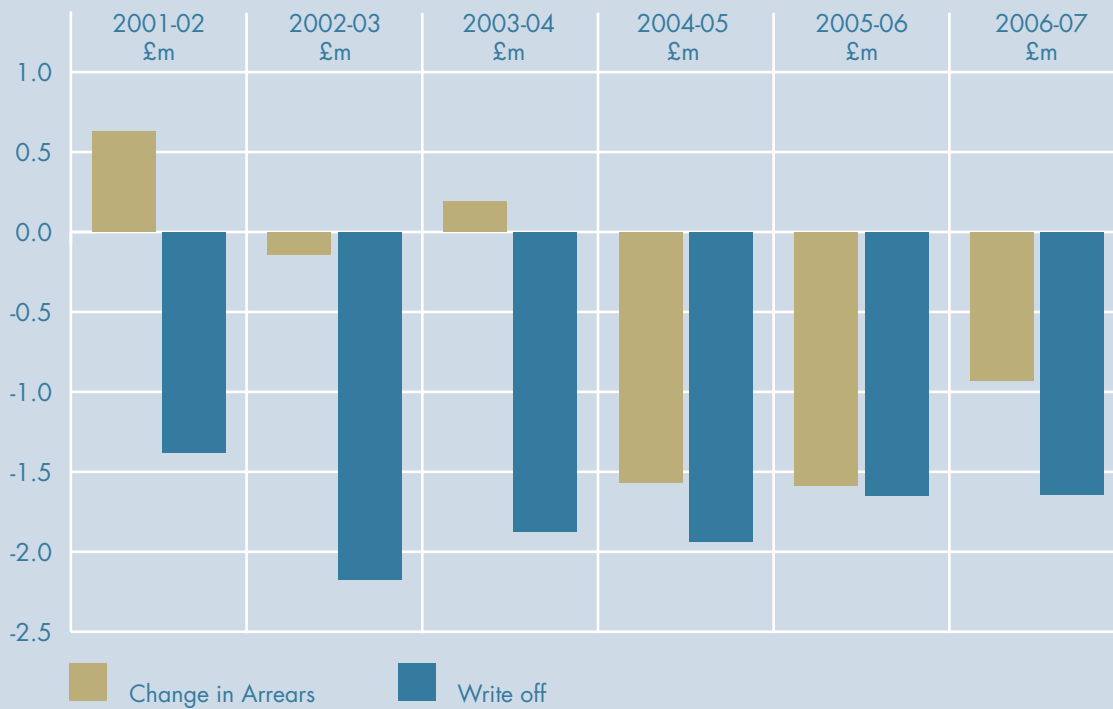
However, the overall corporate target is limited in nature, and does not take account of high write-off levels

2.2 We welcome the positive trends outlined above. However, in our view there are a number of other issues which NIHE needs to consider when assessing its overall performance in this area. In particular,

Figure 2: NIHE arrears 2001-02 to 2006-07



Source: NIHE

Figure 3: Change in level of rent arrears compared with amounts written off

Source: NIHE

reporting outcomes against a single target presents an incomplete impression of the overall performance of a social landlord in terms of income and arrears management. As **Figure 1** illustrated, it is necessary to measure and report overall performance across a broader basket of indicators.

- 2.3 The limitation of the single target is illustrated by **Figure 3**. This shows that the reduction in NIHE's gross arrears over this period has been achieved largely through writing-off high levels of tenant debt – a direct and substantial loss to the public purse. While the year-end balance

for gross tenant arrears fell by £4m from 2001-02 to 2006-07, total write-offs over this period amounted to £10.6m.

- 2.4 NIHE considers that its corporate target is wholly justified; that there is no correlation between the level of write-offs and the reduction in debt; and that higher write-off levels were driven primarily by Housing Benefit overpayments. However, as **Figure 3** illustrates, amounts written-off by NIHE consistently exceeded reductions in its gross arrears annually between 2001-02 and 2006-07. This clearly demonstrates the impact of write-offs on overall arrears

Part Two: NIHE's overall rent collection performance is variable

performance and illustrates the limitations of a target that focuses exclusively on ensuring that year-end gross arrears do not increase.

Performance is less positive across a number of other underlying indicators

- 2.5 In addition to the limits associated with a single target, we also noted a number of underlying issues in relation to NIHE's rent income performance.
- 2.6 **The percentage of total rent collected has fallen** - this measure underpins successful arrears prevention. In this context, after improving for three consecutive years, NIHE's rent collection dropped from 97.5 percent in 2005-06 to 96.5 percent in 2006-07. This is equivalent to a £2 million difference between the respective years and illustrates the potential for lower collection rates to feed through to increased arrears.
- 2.7 **Former tenant arrears are increasing as a proportion of the total** - although former tenant arrears have reduced in value (see paragraph 2.1), they have nevertheless increased as a percentage of the total, and now account for almost a quarter of total arrears. This is significant in assessing performance, as former tenant arrears are more difficult to recover than those of current tenants. Consequently, they are more likely to be written-off in the future and therefore to result in a loss of revenue to NIHE.
- 2.8 **There are large numbers of high individual arrears cases** - high individual debts adversely affect a landlord's arrears performance, and attempts to recover them tie up resources over prolonged periods. At September 2008, 2,570 tenants each owed more than £1,000, amounting to over £5.6 million. Of these, 202 tenants owed between £4,000 and £10,000 (average debt £5,650), and 32 tenants owed over £10,000 (average debt £13,221), with the highest individual debt at £21,191. The average debt of NIHE tenants overall was £158 at the same date. While overpayments of Housing Benefit are likely to have contributed to the large number of high value debts, there is no means of determining the extent of these.
- 2.9 **Performance across NIHE's Districts varies considerably, and merits further investigation** - although differing social and economic characteristics mean that some degree of variable performance across NIHE's 37 District Offices is inevitable, NIHE monitors arrears performance across the Districts and compiles an annual league table. Currently, NIHE measures arrears trends net of write-offs and this shows that the arrears performance of 27 of the 37 Districts deteriorated in 2006-07 (the most recent figures available at the time of our examination).
- 2.10 **It is taking longer to process Housing Benefit** - given the financial vulnerability of NIHE's tenant population, prompt and accurate administration of Housing Benefit can have an important impact on rent

collection and arrears performance. The time taken by NIHE to process Housing Benefit claims has increased. Specifically:

- processing new claims has increased from 19.3 days in 2001-02 to 27.5 days in 2006-07; and
- processing changes of circumstances for existing claims has increased from 11.7 days to 16 days.

NIHE told us that the policy, process and the methodology for calculating performance changed during this period.

- 2.11 In our view, these underlying indicators are of some concern, and may become more problematic in the difficult economic climate ahead. NIHE, however, does not accept this, and considers that the recent year-on-year improvements outlined in paragraph 2.1 reflect a positive performance. NIHE takes the view that overall performance in recent years has been positive; that write-offs are declining and that former tenant arrears as a proportion of total arrears was less important.

NIHE has benchmarked with a range of other UK social housing providers and some of the results indicate that its performance is good

- 2.12 While trends over time are useful as a means of assessing whether an organisation's performance is improving or deteriorating, they are inevitably limited

in nature. Benchmarking with relevant comparator organisations can assist landlords in comparing their performance and in identifying good practice which may contribute to improvements in rent collection and arrears management.

- 2.13 NIHE recognises the importance of benchmarking and, in advance of many other public sector organisations in Northern Ireland, has undertaken annual exercises in recent years to compare its performance in this area. For example, NIHE is a member of Housemark, the largest subscription-based benchmarking club for UK housing authorities. Its performance within this grouping is strong across a number of indicators and, relative to these organisations, NIHE has been performing well in terms of: its proportion of rent collected; numbers of tenants served with Notices Seeking Possession; and numbers of tenants evicted. Performance for areas such as write-offs, and serious arrears (tenants owing more than 13 weeks rent) has been within the 'average' category.
- 2.14 NIHE's proportion of rent collected is also high compared with London and Metropolitan authorities. However, although the London and Metropolitan group have similarities to NIHE, particularly in terms of stock size, they are historically amongst the poorest performers relative to the English national profile.

Part Two: NIHE's overall rent collection performance is variable

When compared with all English local authorities, NIHE performs less well for a number of key performance indicators

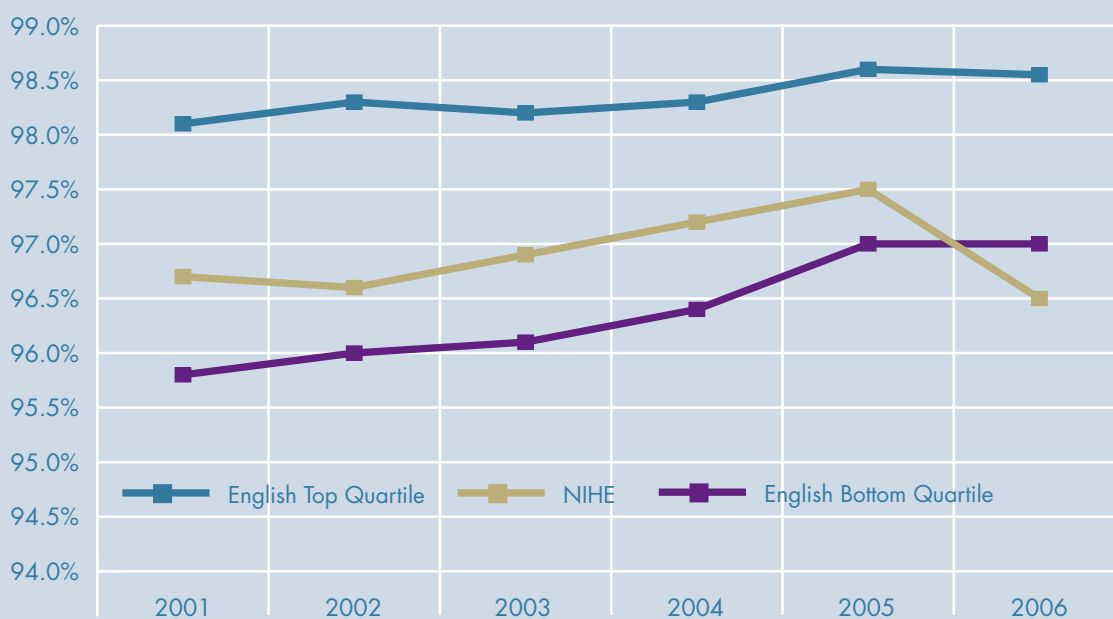
2.15 In view of the availability of larger comparator datasets than Housemark (i.e. the Audit Commission and CIPFA⁹), we engaged expert consultants to undertake a benchmarking assessment of NIHE's performance. Our consultants recognised that it is not possible to find an exact set of comparator organisations against which to benchmark performance.

2.16 They considered, however, that by comparing performance across the broadest possible base of local authorities, factors such as a mixed population density

and a cross section of urban and rural stock can be taken into account. On this basis, they therefore benchmarked NIHE's performance results against all English Local Authorities.

2.17 **Figure 4** shows that the percentage of rent collected by NIHE for the period 2001-02 to 2006-07 was below the top quartile¹⁰ English Authorities throughout this period, and deteriorated in 2006-07 to below the average for the bottom quartile. NIHE takes the view that, while such comparisons are useful, they are distorted by the inclusion of historic debt in the calculation, since such debt includes housing benefit overpayments (see also footnote 6).

Figure 4: Percentage of rent collected 2001-02 to 2006-07



Source: NIAO and NIHE

⁹ The Chartered Institute of Public Finance and Accountancy.

¹⁰ Quartile is a statistical term. Each quartile contains 25 per cent of the total population. The top quartile has the highest 25 per cent of the numbers in the list; the bottom quartile has the lowest 25 per cent of the numbers in the list.

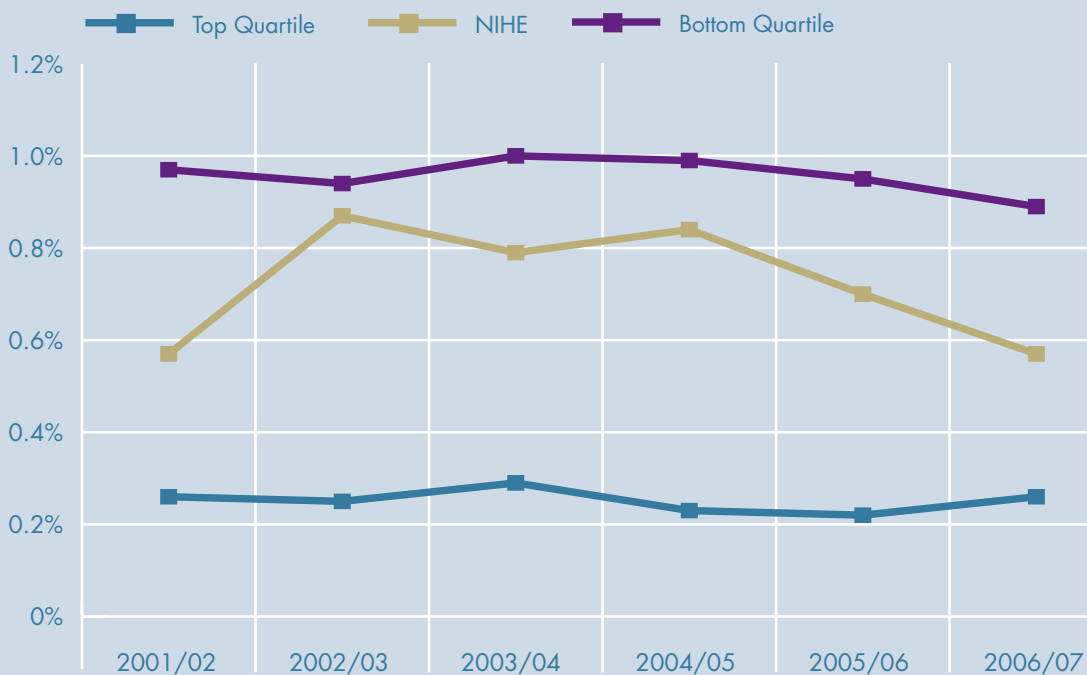
2.18 The level of arrears which NIHE writes off as a percentage of total rent due is comparatively high. NIHE has been considerably outside the top quartile of English local authorities during the period 2001-02 to 2006-07 (see **Figure 5** below). NIHE told us that this could be accounted for largely by high levels of Housing Benefit overpayments feeding their way through to write-offs.

2.19 This analysis also indicates that NIHE's performance is in the third quartile for its level of serious arrears cases (tenants in arrears of greater than 13 weeks, with arrears of over £250). Our consultant was unable to meaningfully benchmark NIHE's

performance in respect of another key arrears indicator (percentage of tenants in greater than 7 weeks arrears), because NIHE's current rent accounting system does not have the facility to produce this data.

2.20 Our consultant's exercise was carried out with the objective of obtaining a more holistic measurement of NIHE's comparative recent performance. However, despite the availability of larger comparative datasets (see paragraph 2.15), NIHE told us that it was reluctant to consider any benchmarking beyond the subscription-based Housemark service. We note, however, that NIHE benchmarked with all English local authorities up to

Figure 5: Arrears write-offs as a percentage of rent due: 2001-02 to 2006-07



Source: NIAO and NIHE

Part Two: NIHE's overall rent collection performance is variable

2004-05, and this had shown its rental income performance as being in the third or fourth quartile for a number of indicators (**Appendix 1** contains a full summary of benchmarking undertaken by NIHE between 2003-04 and 2005-06). In our view, there are potential lessons to be learned from better performing organisations, and rigorous benchmarking can contribute to this process.

NIHE's current benchmarking would benefit from a detailed validation of the data used

2.21 In undertaking this work, our consultants encountered some difficulties associated with NIHE's performance statistics. For example, there were problems with obtaining consistent data, and there have been variances in the performance actually reported in recent years. Consequently our consultants stated that "a detailed validation of the data should be carried out to ensure that the calculation of performance indicators in recent years has been carried out on a consistent basis".

2.22 Our consultants acknowledged that NIHE's current benchmarking arrangements have been informative, and helped it to identify a need for the ongoing service modernisation programme¹¹, but they also identified scope to further develop these¹². In particular, they concluded that:

- NIHE does not have an overarching benchmarking strategy, and it was unclear whether, or how, the results of

current benchmarking were used to draw conclusions on performance and procedures, establish targets and drive improvements;

- although NIHE said that it has conducted benchmarking with two GB authorities, and mapped and re-designed its processes in preparation for a new arrears management system, this process was not documented. Consequently our consultant's view was that there has been no apparent benchmarking of standards or processes used by other landlords to assist arrears management and recovery;
- NIHE's current range of indicators and comparator organisations is not sufficiently consistent and comprehensive to ensure challenging and meaningful benchmarking. For example, NIHE benchmarks against London and Metropolitan authorities for only one arrears indicator - the percentage of rent collected (see paragraph 2.14);
- in reporting comparative performance, NIHE does not outline any contextual information to explain the rationale and purpose of its benchmarking, nor draw any conclusions from results;
- because there is no clear peer group "family" to which the NIHE belongs, it is confusing for stakeholders/observers to understand the rationale and draw

11 NIHE's ongoing service modernisation programme aims, through the use of modern technologies, to provide tenants with access to advice and assistance on all relevant housing issues from a single source.

12 With respect to benchmarking, our consultants identified a substantive list of more detailed recommendations aimed at enhancing NIHE's current benchmarking arrangements. In order to assist NIHE with the ongoing implementation of its improvement plan, we have provided it with details of our consultants' findings.

conclusions from current benchmarking – for example, it is not clear what a “good” performance against Metropolitan or London authorities means compared with performance against all English local authorities (see paragraph 2.15); and

- Whilst NIHE’s benchmarking has involved analysis and comparison of performance, and an evaluation of which performance quartile NIHE falls into, our consultants expressed concerns over whether this is currently underpinned by an examination of key trends, identification and consideration of the factors which have affected performance, and lessons which may be learned regarding best practice from top performing and improving comparator organisations.

In our view, a more extensive set of performance targets and a review of current benchmarking arrangements would help NIHE to improve its performance in a number of key areas

2.23 We consider that there is scope for NIHE to enhance its target-setting regime and further develop its approach to benchmarking as a means of driving forward performance improvements.

2.24 We recommend that:

For the key areas of performance, NIHE should:

- Examine the reasons for the downturn in the percentage of rent collected for 2006-07 – to determine whether this is exceptional or is symptomatic of a deeper-rooted problem;
- Analyse the nature (e.g. age) and value of arrears cases, and determine the stages at which the arrears management process is most/least effective and the recovery actions which work most/least effectively;
- In view of the high levels of write-offs, review the stage at which debts are being written off, the reasons behind write-offs, and whether more decisive and targeted preventative and recovery action is needed to address specific problems in this area; and
- Identify all the factors behind the deterioration in the processing of Housing Benefit claims and take corrective action, where applicable.

To enhance its benchmarking activities, NIHE should consider whether :

- A suitable approach is likely to involve benchmarking NIHE’s historical performance with all English local authorities, based on the Audit Commission’s audited data, as this is the largest validated dataset and gives the broadest comparator base. In future, broader use of Housemark, together with the CIPFA arrears statistics, would provide scope for a more expansive range of external results-based performance comparisons;

Part Two: NIHE's overall rent collection performance is variable

- vi. There may be merit in benchmarking with "clusters" of individual organisations, such as a large metropolitan borough bordered by District Councils, or large Housing Associations for specific operational activities;
- vii. It should develop a formal benchmarking strategy, incorporating both performance and process benchmarking activity, and the steps to be taken to identify best practice, and areas for improvement; and
- viii. Ongoing external benchmarking, and internal performance measurement, should be based on a comprehensive suite of performance indicators, including measures which will specifically assist evaluation of the outcomes and progress of the ongoing modernisation programme. Our consultant has provided a range of measures and targets which may prove helpful to NIHE in carrying out internal and external benchmarking. Many of these are linked to assessing whether the objectives of the ongoing modernisation programme are being achieved.

To improve its target-setting regime, NIHE should:

- ix. Develop an enhanced SMART¹³ based framework of challenging arrears targets, which take account of all key performance factors.

¹³ Targets that are Specific, Measured, Achievable, Realistic and Timed.

Part Three:

NIHE is in the process of implementing an improvement plan for rent collection and arrears management



Part Three:

NIHE is in the process of implementing an improvement plan for rent collection and arrears management

NIHE's current operational guidance broadly mirrors good practice

3.1 As paragraphs 1.3 to 1.8 of this report indicated, there is a considerable amount of good practice guidance available to social landlords on managing the key issues relating to rent collection and arrears recovery. This guidance is incorporated into the NIHE arrears manual, which staff at District Offices are expected to implement.

3.2 Clearly, compliance with good practice in housing management is crucial to optimising both standards of service to tenants and income from rent. In recognition of this, NIHE has in place an inspection regime and this includes:

- internal monitoring and auditing by District Office Management;
- reviews of District Office arrears by the relevant Area every two years; and
- examinations by NIHE's Internal Audit and Central Inspection Unit¹⁴, to determine whether District Offices are applying timely and appropriate recovery action.

These are important steps in identifying shortfalls, and in alerting NIHE management at all levels to instances where corrective action is required.

3.3 In order to assess the extent to which NIHE's guidance is being followed, and to gain an understanding of the factors underlying the performance trends

illustrated in Part 2 of this report, we reviewed Inspection Unit reports for 10 of the 37 Districts for the years 2005-06 and 2006-07. We also reviewed the results of an external consultancy review of rent income management commissioned by NIHE in 2006. In addition, we visited two NIHE District Offices, one at either end of NIHE's performance 'league table', to gain an understanding of specific factors underlying their performance.

Despite the guidance, the results of NIHE's internal inspections showed that some District Offices were not applying timely and appropriate income management and arrears recovery action

3.4 Our examination of reports from NIHE's Inspection Unit showed evidence of non-compliance with the arrears manual in 15 of the 19 reports that we reviewed. Several common themes emerged, for example:

- **cases not being actioned in a timely or appropriate manner** – in one District, 43 out of a sample of 60 current arrears cases fell into this category. These included missed payments not being pursued (see case Example 1 below) and letters sent not being appropriate to the stage of recovery action or size of the arrear;
- **letters and Notices Seeking Possession¹⁵ not being followed up in a timely manner** – one District's records showed 6 cases where the issue of the 6-week debt letter had not

14 NIHE's Central Inspection Unit carry out examinations at District Offices to assess whether recognised procedures for a range of housing functions (including arrears management), are being complied with. Findings are reported to local management.

15 A Notice of Seeking Possession (NSP) is a legal document and is the first stage in the eviction process.

resulted in any further action for periods of over 4 months. Another indicated a Notice Seeking Possession remaining unactioned for over a year and “about to expire”; and

- **tenants not being asked to pay while waiting for Housing Benefit claims to be assessed** – in such cases, large debts can be built up without any recovery action being taken (see case Example 2 below).

Case Example 1: No action taken to recover unpaid rent

Although £720 of collectable rent had been due since the start of this tenancy in November 2005, only £260 had been received by January 2006. Despite this, no letters were sent to the tenant, and no means of recovery had been recorded on NIHE’s rent accounting system.

Case Example 2: Eligibility for Housing Benefit not verified at the outset

Tenant A claimed eligibility for Housing Benefit when the tenancy began, but initially failed to supply the full information required to support the claim. By April 2007, the tenant had accrued arrears of £1,584 and had not made any payments to NIHE. By the time the full information required to support the benefit claim was provided, in late 2007, this person was found to have no entitlement. By this time, the debt had risen to £1,969.

- 3.5 In instances such as those above, where debt recovery action is instigated, it can take a very long time to recoup arrears. For example, in case Example 2, recovery action resulted in the tenant agreeing to pay the full weekly rent plus £5 per week to clear the arrears. However, even if this obligation is fully honoured, it will take 7¹/₂ years to clear the debt.
- 3.6 When tenants in arrears have little or no entitlement to Housing Benefit but are in receipt of certain other benefits, deductions can be made from them in order to clear rent arrears, through the Rent Direct process. However, the maximum arrears deduction is £3 weekly and arrears recovery is slow – at January 2007, £4.6 million (40 per cent of then current tenant debt) was being recovered in this way and was expected to take 5 years to clear. Where tenants are employed, compulsory deductions from earnings can be put in place. However, both methods can take a long time to instigate, with the risk of debt escalating further in the interim.
- 3.7 The fundamental importance of compliance with best practice is illustrated by the examples above and by the performance results in the Inspection Unit reports that we examined. For example, we found that, in one District with a good record of compliance, current tenant arrears reduced by 9 per cent in 2004-05 and by 16 per cent in 2005-06. In contrast, a District with several reported compliance weaknesses reduced arrears by much lower amounts (2.4 per cent in 2004-05 and by 3.6 per cent in 2005-06). Although performance

Part Three:

NIHE is in the process of implementing an improvement plan for rent collection and arrears management

across Districts can vary for a number of reasons (see paragraph 2.9), we consider that this example highlights the positive influence which compliance with recognised procedures can have on performance.

An external review commissioned by NIHE also highlighted scope for enhancing rent collection and arrears management

- 3.8 In 2006 NIHE commissioned an external consultancy review (see paragraph 3.3 above) which examined the totality of its rent income management. This review, which is another example of good practice by NIHE, reported findings similar to those of the Inspection Unit, and also reported that improvements could be made to rent collection and arrears recovery procedures and practices.
- 3.9 The review noted that there was scope for improvement in terms of access and customer care. Limited payments methods were available to tenants, with no option to pay via the internet or direct debit, or by telephone. It also noted weaknesses in relation to tenant contact – texting was not used as a form of contact, there was no formal out-of-hours service available, tenant visits were not focused on when they were most likely to be at home and there was limited information available on NIHE’s website. In addition, the review indicated that there was limited tenant profiling to ensure services are delivered that meet the client’s needs.
- 3.10 The review again highlighted potential for enhancing arrangements for the recovery of current tenant arrears and monitored a sample of cases which highlighted examples of non-compliance with best practice. For example, it identified a lack of early pro-active action, long periods of no payment by the tenant with no action taken by NIHE, poor or limited notes made of contact with the tenant and inconsistent methods of recording contact. The review also noted that there was poor communication and information-sharing between different sections with NIHE and that there were shortcomings in computer systems – only one year of data was available and the coding structure did not allow for easy monitoring.
- 3.11 The review also noted a smaller number of weaknesses in relation to the provision of debt advice (such as the lack of information on NIHE’s website and the failure to conduct financial ‘healthchecks’ at tenant sign-up); and general value for money issues (including the use of high-cost cash offices and lack of direct debit facility).

NIHE is implementing an improvement plan to address the issues raised

- 3.12 In March 2007, NIHE produced an improvement plan to address weaknesses raised by the consultant’s report, and **Appendix 2** contains details of completed and ongoing action to deliver the plan. **Figure 6** below summarises the enhanced measures which NIHE intends to introduce.

Figure 6: Summary of key measures included in NIHE's arrears improvement plan

- **Arrears prevention and collection** - NIHE intends to assist tenants to complete Housing Benefit forms, calculate their possible entitlement and offer a benefits health check, to ensure that eligible tenants maximise their income. For those responsible for making rent payments, NIHE has introduced payment by debit card, telephone and internet, and is proposing to introduce payment by direct debit in early 2010.
- **Arrears recovery** - NIHE plans to introduce an early intervention policy to recover arrears and increase contact by telephone, texting and email. In addition, the existing money advice services available to those in debt will be expanded. NIHE also plans to review all procedures for tracing, recovering and writing off past tenant arrears.
- **Performance management** – A review of targets for both current and former tenant arrears recovery has been completed and a comprehensive analysis of arrears trends is being undertaken, in order to facilitate the design of further improvements. In addition, a new housing management IT system is under development and scheduled for implementation in early 2010. This is intended to provide enhanced management information in order to facilitate income management and arrears recovery.

3.13 In a wider context, NIHE's ongoing modernisation programme (see paragraph 2.22), initiated prior to the commissioning of the external consultants' review, aims to fundamentally change the processes, procedures and location of the income management and arrears recovery function.

In order to maximise its success, NIHE should underpin its improvement plan by providing formal guidance to staff, setting relevant targets and measuring performance on a regular basis

3.14 The enhanced prevention and recovery steps envisaged within NIHE's improvement plan are likely to place greater onus on staff in respect of managing and overseeing the process. Compliance with the new procedures will therefore be key to their success, particularly in view of the evidence of problems in this respect with

existing procedures in recent years (see paragraphs 3.4 to 3.7).

3.15 When fully implemented, NIHE's improvement plan (see **Appendix 2**) clearly has the potential to substantially address the consultant's findings, and those of the Inspection Unit, and deliver an enhanced arrears prevention and recovery framework. However, we consider it important that:

- Any new policies or procedures which emerge from the ongoing implementation plan are clearly communicated to the relevant NIHE staff, and the arrears manual is updated accordingly to reflect this;
- NIHE's proposed enhanced tenant sign-up process should specifically include a formal evaluation of potential tenant financial vulnerability, and where vulnerability is identified, require the completion of an

Part Three:

NIHE is in the process of implementing an improvement plan for rent collection and arrears management

action plan outlining the early action and intervention measures to be taken to address it;

- iii. NIHE should establish some form of performance measurement for assessing the effectiveness of its prevention activity. For example, this could involve monitoring the percentage of new tenant accounts which fall into arrears during the early stages of tenancy (3-6 months). Using such a measure would help to identify those Districts taking timely action on a consistent and comprehensive basis;
 - iv. NIHE should assess what measures can be taken to improve the degree of compliance with good practice for arrears recovery activity, and for updating and improving the content of Inspection unit reports. In conjunction with this, it should evaluate the relative successes of the different staff deployment approaches being used by individual Districts to achieve their objectives; and
 - v. NIHE should commence monitoring the proportion of former tenant arrears which are recovered or written-off, and consider establishing targets for this area.
-

Part Four:
Housing Associations' rent arrears performance is variable



Part Four: Housing Associations' rent arrears performance is variable

4.1 The Northern Ireland Housing Association sector comprises 36 Associations, of varying size, and includes some 22,000 dwellings. In 2006-07, rent collected was £86 million, some 23 per cent of the total social housing rental income for that year.

Annual Housing Associations' arrears statistics collated by the Department for Social Development (DSD) suggest deteriorating performance, but they do not provide a full picture

4.2 Annual performance statistics supplied to DSD by Housing Associations for the period 2001-02 to 2006-07 indicate

significant increases in gross arrears for the sector overall, as illustrated in **Figure 7** (below). This shows increases of 163 per cent during this period, with current arrears more than trebling and total arrears increasing by 58 per cent in 2004-05 alone. DSD told us that, as the number of properties managed is increasing year-on-year, the level of arrears would also be expected to increase.

Using the gross movement in arrears measurement suggests that overall performance in the HA sector has deteriorated by £6.03 million during this period. However, a positive factor is the apparently low level of write-offs – under

Figure 7: Total Housing Association arrears performance 2001-02 to 2006-07

Year	Current Tenant Arrears (£m)	Former Tenant Arrears (£m)	Gross Arrears (£m)	Arrears written off (£m)	% rent collected
2001-02	1.72	0.94	2.66	0.20	98.75
2002-03	2.20	1.05	3.25	0.29	100.03 ¹⁶
2003-04	2.35	1.34	3.69	0.24	99.42
2004-05	4.30	1.52	5.83	0.23	97.00
2005-06	5.01	1.77	6.78	0.22	94.20
2006-07	5.26	1.73	7.01	0.37	92.00

Source: DSD

¹⁶ It is possible to achieve a rent collection level of greater than 100 per cent if a landlord collects a high percentage of rent due for the current year and recovers arrears outstanding from previous years. However, uncertainties over the completeness and accuracy of the DSD data mean that the figure for 2002-03 is unlikely to be accurate.

Figure 8: Gross movement in total Housing Association arrears 2002-03 to 2006-07

Year	Increase in gross arrears (£m)	Arrears written off (£m)	Gross movement in arrears (£m)
2002-03	0.59	0.29	0.88
2003-04	0.44	0.24	0.68
2004-05	2.13	0.23	2.36
2005-06	0.96	0.22	1.18
2006-07	0.56	0.37	0.93
Total	4.68	1.35	6.03

Source: DSD

£0.4 million annually, and less than 0.5 per cent of collectable income (see **Figure 8** above).

4.3 However, DSD told us that these statistics are potentially misleading and that actual performance in recent years has not deteriorated to the extent which they suggest. This is mainly because of changes that have virtually eliminated the payment of Housing Benefit to tenants in advance. DSD told us that the effect of this has been to inflate year-end arrears figures, as Housing Benefit due to tenants has not been processed or paid at the time the statistics are gathered.

4.4 DSD also told us that arrears levels in recent years have been affected by new powers which enable NIHE to deduct Housing Benefit overpayments directly from other Housing Benefit which is due to be paid to Associations. As this is

intended to cover rent due from tenants the effect is that they are more likely to fall into arrears.

4.5 The current statistics are drawn from Annual Regulatory Returns (ARRs), which Housing Associations are required to submit to DSD, as part of its regulatory role. However, in addition to the questions over the way in which the data is gathered (see paragraph 4.3), our examination found the following potential concerns with the completeness and accuracy of ARR arrears data in recent years:

- in 2005-06, 4 Associations made no submission to DSD;
- in the same year, identical arrears data were recorded by DSD in respect of two different Associations; and

Part Four: Housing Associations' rent arrears performance is variable

- one Association's gross arrears ranged from £158,000 to £219,000 between 2001-02 and 2003-04, but reduced to £3,000 and £10,000 in 2004-05 and 2005-06 respectively. An improvement of this nature seems unlikely, and raises doubts over the accuracy of the figures.

These issues undermine further the usefulness and relevance of the data currently gathered. Furthermore, they had not been identified by DSD's checking procedures, indicating a need to tighten existing checks, so that anomalies can be highlighted and investigated promptly, and accurate statistics produced.

- 4.6 We also found that measurement of serious arrears performance trends is made more challenging by recent changes in the types of Annual Regulatory Returns information collected by DSD. Prior to 2004-05, Associations were required to provide the amount of arrears outstanding for more than 13 weeks but, from 2004-05 onwards, this was changed to the percentage of tenants in more than 13 weeks' arrears. Whilst the available information does indicate that the percentage of tenants in serious arrears reduced from 5.5 per cent in 2004-05 to 4.7 per cent in 2006-07 this data is subject to the same limitations as the other Annual Regulatory Returns information. DSD highlighted that, in addition to these issues, Annual Regulatory Returns data is based on a snapshot at 31 March in any given year, rather than an average for the year.

- 4.7 While it is likely that Associations' arrears levels have been overstated in recent years, it is also clear that there are limitations in the way the statistics are currently gathered by DSD. The result is that DSD has been unable to carry out accurate and meaningful analysis for the sector overall, and a clear picture of arrears performance is not available. Consequently, we consider that DSD should take steps to ensure that the data gathered more accurately reflects actual performance.

Where a Housing Association's arrears performance gives cause for concern, the Department takes limited action

- 4.8 In completing the Annual Regulatory Returns, DSD requires Housing Associations to disclose a range of key data related to rent collection and arrears. This includes: rental income due; rent collected; rent arrears; gross arrears; arrears as a percentage of income due; and rental income written-off.
- 4.9 Whilst this data has the potential to enable DSD to conduct a meaningful assessment of performance and trends for the Housing Association sector overall, this is not done. In any case, the uncertainties over the usefulness of the current data (see paragraphs 4.3 and 4.4) would make any such exercise largely meaningless.
- 4.10 DSD does review quarterly returns and annual accounts received from individual Housing Associations. When arrears exceed its target of no more than 4

per cent of collectable income, DSD writes formally to Associations seeking an explanation as to why arrears are high and of the action proposed by the Association to reduce them to below target. DSD told us that, depending on the explanation and evidence provided, it will visit the Association to review its rent arrears and make recommendations for improvement. In addition, rent arrears are reviewed as part of the inspection process which covers all Associations. Where rent arrears procedures are not considered appropriate, recommendations for improvement are made and monitored to ensure implementation.

Housing Associations operate differing procedures for arrears prevention and management, and there may be scope for more promotion of good practice

4.11 Housing Associations are autonomous bodies and DSD does not operate the level of central guidance and management that NIHE applies to its Districts. In order to assess the extent to which individual Housing Associations set additional targets and implemented good practice, and the degree of similarity between their experiences and success and those of NIHE, we visited three Associations. The results of these visits were used to supplement information compiled centrally by DSD, derived from the Associations' Annual Regulatory Returns.

Arrears targets

4.12 In addition to DSD's target (see paragraph 4.10), the three Associations we visited had adopted their own internal targets:

- two had adopted similar targets - one to collect 95 per cent of income due, while another had a 96 per cent target; and
- one had different collection targets for individual Housing Officers, based on the characteristics of the area for which they had responsibility.

Arrears prevention

4.13 The Associations we visited were implementing elements of good practice in relation to prevention, for example:

- two completed Housing Benefit forms for tenants to minimise processing delays. One of these also carried out a trial calculation of the likely benefit payable;
- two sought cash payments from new tenants if there were any doubts over Housing Benefit eligibility;
- one had formal arrangements for debt counselling with Citizens' Advice Bureau, and one had informal arrangements;
- one had a range of convenient payment methods, including swipe cards, direct debit, and credit/debit cards; and

Part Four: Housing Associations' rent arrears performance is variable

- one visited new tenants after six weeks to establish whether they had any problems in meeting rental obligations.

4.14 These findings suggest that the Associations visited are aware of the importance of prevention in assisting arrears management and performance, and have been undertaking activities to improve performance in this respect. However, DSD said that its ongoing inspection programme of Associations' operational activities has indicated scope for enhanced prevention measures, including incentives and sanctions to encourage tenants to stay out of arrears, and profiling of debtors to identify groups at greatest risk of falling into serious arrears.

Arrears management and recovery

4.17 The three Associations visited effected arrears recovery through the recognised methods of letters, phone calls and visits to tenants, repayment agreements and, where necessary, compulsory and legal action. However, some variances in working practices were apparent:

- the largest Association had allocated specialist staff to arrears recovery in 2004, and considered that this had begun to improve performance;
- two were very reluctant to commence legal proceedings, considering that this increased the risk of abandoned tenancies (where no notice is provided). The largest of the three was more willing to pursue this option; and

- two reminded tenants that they were in arrears when in contact with them about other matters, such as maintenance. However, the third considered this impractical.

4.18 In addition, there was some evidence of initiatives being operated by individual Associations to assist arrears recovery:

- one closed its main office on a weekday afternoon to enable staff to focus on recovering arrears; and
- another appended a referral letter to Citizens' Advice Bureau for debt advice on each arrears letter sent to tenants.

4.19 Given that Associations vary in size, have different levels of resources and serve different client groups, it is unsurprising that we found differing approaches to preventing and managing arrears. Nonetheless, the evidence of potentially worthwhile initiatives being introduced by individual Associations emphasises the importance of good practice being identified and promulgated across the sector. DSD told us that the Northern Ireland Federation of Housing Associations (NIFHA), has undertaken activities aimed at achieving this. For example, NIFHA co-ordinates a formal annual benchmarking exercise, promotes self-help groups to allow Associations to learn from each other, and runs seminars on arrears management.

4.20 In 2000, NIFHA published detailed formal guidance for Associations on managing and recovering arrears. However, as there

have been further developments in good practice since then, particularly with regard to prevention, we consider that there may be benefit in DSD and NIFHA working together to produce updated guidance, tailored to Associations' particular needs and with a particular emphasis on prevention.

Recovering former tenant arrears is particularly problematic for Associations

- 4.21 Although our work at the three Associations visited suggested that most tenants provided some notice before vacating properties, it is not always sufficient for Associations to complete the necessary procedures to terminate the tenancy properly and recover all rent due. Furthermore, they said that abandoned tenancies were also a growing problem in recent years, particularly where tenants have accumulated large arrears.
- 4.22 All three Associations agreed that tracing former tenants represented a considerable arrears recovery challenge. However, despite the problems experienced, only one was using the services of a tracing agency. The Associations also highlighted the impact of data protection legislation, which does not permit NIHE and the Social Security Agency to provide them with information on the likely whereabouts of former tenants. DSD told us that it will investigate the possibility of Associations being afforded the same powers to trace former tenants as those available to NIHE.
- 4.23 All three Associations had clearly defined criteria to guide the process of writing off

former tenant arrears, and all individual write-offs were subject to approval by their respective Boards. The Associations collated data and reported performance on the proportion of former tenant arrears recovered or written off.

There is scope for DSD to assist Associations to improve their performance by providing more guidance and targets

- 4.24 As paragraph 4.19 indicated, the variations in the size and nature of Associations and the differing client groups means that some differences in arrears performance and in approaches to arrears prevention and management are to be expected. Nevertheless, we consider that there is scope for DSD to become more involved, possibly in conjunction with NIFHA, in providing more advice and guidance to Associations, and that central target-setting and monitoring could act as an important driver to deliver improvements.
- 4.25 In order to carry out its regulatory role properly and to conduct meaningful performance measurement and benchmarking, it is clearly essential for DSD to ensure that the quality of the management information it compiles in respect of Associations is fit for purpose. Consequently, we recommend that DSD should:
- i. take steps to ensure that the annual performance data gathered more accurately reflects true arrears performance, and that data submitted

Part Four:

Housing Associations' rent arrears performance is variable

by Housing Associations is properly validated to ensure completeness and accuracy. This would facilitate annual performance analysis of the overall sector and identification of relevant trends;

- ii. develop, possibly in liaison with NIFHA, updated guidance to the Housing Association sector on rent collection and arrears prevention and recovery, based on accepted good practice (the Associations we visited said they would welcome such guidance). In order to maximise its effectiveness, it should incorporate specific measures already being used successfully in some Associations, as well as relevant actions contained in NIHE's revised arrears management strategy. This guidance should be updated regularly, to take account of emerging developments and actual experience of implementing changes on the ground;
 - iii. accompany the issue of guidance with a range of related targets and regular benchmarking of Associations' performance against them;
 - iv. where appropriate, supplement this with benchmarking between Associations and NIHE; and
 - v. benchmark Associations' performance with that of their counterparts elsewhere in the UK, in a similar manner to that recommended for NIHE in paragraph 2.24.
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Appendix One: (Paragraph 2.20)

Results of NIHE's benchmarking of arrears performance against English local authorities 2003-04 to 2005-06

Performance measure and year	Audit Commission – all English Local Authorities	Audit Commission – all London and metropolitan authorities	Housemark – all members	Housemark – landlords > 5000 stock
Proportion of rent collected				
2003-04	4th	2nd	n/a	n/a
2004-05	3rd	2nd	1st	n/a
2005-06	3rd	n/a	1st	1st
% of debtors with > 7 weeks arrears				
2005-06	4th	n/a	n/a	n/a
% of tenants served NSP's				
2003-04	n/a	n/a	1st	n/a
2004-05	n/a	n/a	1st	n/a
2005-06	3rd	n/a	1st	1st
Gross arrears as % of rent due				
2004-05	n/a	n/a	3rd	n/a
2005-06	n/a	n/a	2nd	2nd
Gross arrears written off as % rent due				
2004-05	n/a	n/a	3rd	n/a
2005-06	n/a	n/a	2nd	2nd

Performance measure and year	Audit Commission – all English Local Authorities	Audit Commission – all London and metropolitan authorities	Housemark – all members	Housemark – landlords > 5000 stock
Current tenant arrears as % of rent due				
2003-04	n/a	n/a	4th	n/a
2004-05	n/a	n/a	2nd	n/a
2005-06	n/a	n/a	3rd	2nd
% change in current tenant arrears				
2003-04	n/a	n/a	3rd	n/a
2004-05	n/a	n/a	2nd	n/a
2005-06	n/a	n/a	2nd	2nd
% tenants with > 13 weeks and £250 arrears				
2003-04	n/a	n/a	3rd	n/a
2004-05	n/a	n/a	1st	n/a
2005-06	n/a	n/a	3rd	2nd
% tenants evicted due to rent arrears				
2003-04	n/a	n/a	1st	n/a
2004-05	n/a	n/a	1st	n/a
2005-06	n/a	n/a	1st	1st
Former tenant arrears as % rent due				
2005-06	n/a	n/a	2nd	2nd

Appendix Two: (Paragraph 3.12)

Arrears prevention and rent collection – Consultants findings and action proposed by NIHE’s improvement plan

Consultants findings / recommendation	NIHE response	Current Position
Review prevention policies and procedures, with emphasis on better advertising of debt and benefit advice agencies.	Action to ensure that tenants incomes are maximised, and expansion of money advice services (by April 2008).	Action complete.
Introduction of new payment methods (including internet, direct debit and telephone) as soon as possible.	Introduction of payment by direct debit, debit card, telephone and internet (by April 2008).	All in place, except for Direct Debit which is dependant on the new Housing Management system scheduled to be in place by early 2010.
Develop training plan to ensure all officers receive training in basic debt advice.	Staff to be trained in providing advice on money management and welfare advice, and possible appointment of a dedicated officer for this purpose (long term).	Training to be completed by April 2009. Two dedicated staff appointed and seconded to Citizens’ Advice Bureau.
A more proactive tenant sign-up process (including ensuring completion of HB forms and trial calculation, obtaining payment, and assessment of income and vulnerability).	A review of the signing-up process for new tenants (by April 2008).	Review complete.
Development of financial inclusion strategy.	Development of financial inclusion strategy (long term).	Strategy adopted by NIHE Board in July 2008 and action plan under way.
Detailed financial health checks at sign-up to identify potential problems and risks.		A formal process is now in place at sign-up.
Development of further information on website.	Website re-vamped July 2008 with additional information. Further updates to be provided by Nov 2008 (household budgeting, insurance, bank accounts and savings)	

Current tenant arrears recovery – Consultants findings and action proposed by NIHE's improvement plan

Consultants findings / recommendation	NIHE response	Current Position
Need for improved performance management framework, and improved trend analysis of arrears.	Review of targets for both current and former tenants (April 2008). Comprehensive analysis and trends of arrears debt (September 2008).	Targets have been set and trend analysis of arrears completed. The latter is being updated.
Rent accounting IT system did not allow for easy monitoring, was reliant upon officer generated figures, and only held one year of data.	New system scheduled to be implemented in late 2008.	New Housing Management system for Rent Collection to be in place early 2010.
Repayment agreements not always based on financial statements / affordability, and no standard method for calculating agreements.	Identify weaknesses in procedures and where improvements can be made (September 2008).	Training improvements (Masterclass) completed.
Weaknesses identified with regard to the legal / NSP process.	Not accepted by NIHE.	
Poor personal contact, limited use of telephone and no texting (see above).	Increase and capture all tenants personal data. Increased use via telephone, texting and e-mail (both September 2008).	Training completed. Texting to be considered with new Housing Management System (early 2010).
No analysis to identify what recovery stages or actions had been most effective.	Identify weaknesses in procedures and where improvements can be made (September 2008).	Review of Performance Management System under way.

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